power plants in October, 1995. The policy envisages various options for private sector participation such as (i) lease, rehabilitate, operate and transfer (LROT); (ii) sale of plant and (iii) joint venture between State Electricity Boards (SEBs) and private companies. These options, are, however, only illustrative. The choice and initiatitve clearly lies with the States and power utilities owning the plants. Further, guidelines have also been issued in January, 2004 for undertaking R&M and life extension works in respect of thermal power plants.

Incentives Under APDRP

652. SHRI RAMA MUNI REDDY SIRIGIREDDY:
SHRI K. RAMA MOHANA RAO:

Will the Minister of POWER be pleased to state:

(a) whether it is true that the Government of India has decided to reward the reformist States under the Accelerated Power Development and Reforms Programme;

(b) if so, the details of the programme;

(c) whether Government has identified any States for giving rewards;

(d) if so, the States which have been selected under this programme;

(e) whether any guidelines have been issued to meet the criteria set by the Union Government; and

(f) if so, the details thereof?

THE MINISTER OF POWER (SHRI P.M. SAYEED): (a) and (b) Yes, Sir. Under the incentive component of Accelerated Power Development and Reforms Programme (APDRP) for upgradation and strengthening of the sub-transmission and distribution, State Electricity Boards/Utilities reducing cash losses from year 2001-02 are eligible for grant to the extent of 50 per cent of actual cash loss reduction effected. For grant of incentive, financial year 2000-01 is taken as the base year.

(c) and (d) States who have effected cash loss reduction and whose accounts are duly audited by the Comptroller & Auditor General of the State or statutory auditor are eligible for incentive under APDRP. The States

that have submitted proposals for claiming incentives are—Assam, Andhra Pradesh, Gujarat, Goa, Haryana, Himachal Pradesh, Kerala, Karnataka, Maharashtra, Madhya Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. The proposals of Assam, Goa, Himachal Pradesh, Kerala, Karnataka, Madhya Pradesh, Tamil Nadu and Uttar Pradesh are at various levels of scrutiny. States whose claims are found to be eligible and incentives given are Gujarat, Maharashtra, Haryana, Rajasthan, Andhra Pradesh and West Bengal. The details of incentives given is as under:—

(Rs. in Crores)

Sl. No.	State	Incentive released
1.	Gujarat	236.38
2.	Maharashtra	137.89
3.	Haryana	105.49
4.	Rajasthan	137.71
5.	Andhra Pradesh	265.11
6.	West Bengal	73.00

(e) and (f) Yes, Sir. The guidelines on APDRP are enclosed at statement.

Statement

1. Guidelines on Accelerated Power Development and Reforms Programme

The Government have approved modification of the ongoing Accelerated Power Development Programme [APDP]. Henceforth, the Programme would be known as Accelerated Power Development Reforms Programme (APDRP).

2. **Scope of the Programme**

APDRP focuses on Upgradation of Sub-Transmission and Distribution in densely electrified zones in the urban and industrial areas and improvement in commercial viability of State Electricity Boards. It has following two components:

a. investment component for strengthening and upgradation of the sub-transmission and distribution system

b. incentive component to encourage/motivate utilities to reduce cash losses.

3. **Investment Component**

Under the Investment Component, projects relating to Up gradation & strengthening of sub-transmission & distribution network including energy accounting & metering in densely electrified zones in urban and industrial areas will be eligible. The modalities of implementing projects under the investment component is as under:

(i) Project Formulation: The Utilities shall prepare for each of the high-density areas in order of priority, Detailed Project Reports (DPRs), based on the Technical Manual prepared by the Expert Committee on Distribution, constituted by the Ministry of Power. These DPRs will be vetted, validated and appraised techno-commercially by National Thermal Power Corporation and Power Grid designated as Advisor-cum-Consultants by Ministry of Power. Detailed guidelines for the implementation of projects shall be issued by Ministry of Power from time to time.

(ii) Implementation: SEBs/State Utilities shall implement projects sanctioned under this programme on turnkey basis through pre-qualified turnkey contractors selected on a competitve basis to ensure quality and expeditious implementation.

(iii) Application of Information Technology: Information Technology and Computer Aided Tools for revenue increase, outage reduction, monitoring and control, play a vital role in distribution management. IT applications will be used in such processes in the distribution sector to ensure higher revenues as a result of segregation of T&D losses, and controlling commercial losses, especially for metering, meter reading, billing, collection and outage reduction. IT interventions will also be eligible under APDRP.

(iv) Memorandum of Agreement: The State Electricity Boards/Utilities shall enter into a Memorandum of Agreement [MOA] with the Ministry of Power to implement APDRP and Power reforms. Signing of MoA prerequisite for release of funds under APDRP. The Ministry of Power will monitor implementation of the precedent conditions agreed to upon in the

Memorandum of Agreement/Memorandum of Understanding and compliance with Tripartite Agreement before releasing funds. If considered necessary, Ministry of Power may impose conditionalities for the implementation of APDRP from time to time.

4. **Funding Mechanism under Investment Component**

Under APDRP, funds will be provided through a combination of grant and loan to the State Governments as additional Central Plan Assistance. APDRP will finance 100% of the project cost in Special Category States (all North Eastern States, Sikkim, Uttaranchal, Himachal Pradesh and J&K) in the ratio of 90% grant and 10% soft loan. In respect of other States (Non Special Category), APDRP will finance 50% of the project cost and the ratio of grant and loan will be 1:1. SEBs/Utilities will have to arrange remaining 50% of the fund from PFC/REC, other financial institutions or their own resources as counter part fund. The following table will make the funding modalities more clear.

S. No.	Category of States	% of Projects/Scheme Cost from APDP as		% of Projects Scheme Cost from PFC/REC/ Own resources/Other Sources
		Grant	Loan	
1.	Special Category States	90	10	—
2.	Non-special category States	25	25	50

5. **Release of funds**

Funds under the Accelerated Power Development Reforms Programme (APDRP) will be released to the State Government as below:

Non-special category States:

(i). 25% of the APDRP amount—up front on approval of project under APDRP and on tie up of Central Plan Fund from financial institutions.

(ii). Release of matching fund by financial institutions (FIs)

(iii). After spending 25% of the project cost (i.e. 25% APDRP + 25% of counterpart fund from FIs), 50% of the APDRP amount would be released.

(iv). Progressive release of the balance 50% of the counterpart fund by FIs.

(v). After spending 75% of the project cost (i.e. 75% APDRP + 75% of counterpart fund from FIs) balance 25% of the APDRP amount would be released

(vi). Progressive release of the balance 25% of the counterpart fund by FIs

Special Category States (namely all North-Eastern States, Sikkim, Uttaranchal, Himachal Pradesh and Jammu & Kashmir):

(i). 50% of the APDRP amount-up front on approval of project under APDRP

(ii). After spending 50% of the project cost balance 50% of the APDRP amount would be released

6. **Third party evaluation**

Evaluation of implementation of the APDRP schemes will be done by an independent agency as decided by the Steering Committee. The evaluation reports would be taken into account at the time of approval of new projects.

7. **Incentive Scheme**

The State Governments will be incentivised up to 50% of the actual total loss reduction by SEBs/ utilities, as grant. The year 2000-01 will be taken as the base year for the calculation of loss reduction, in subsequent years. Losses will be calculated net of subsidy, if any, given by the States (both in the base as well as in the subsequent years) and revenue will be considered on net realization basis only (increase in bills receivables will be factored into the calculation). Incentive in the following years will be given on the incremental loss reduction by SEBs/Utilities (disallowing regression, if any), which will be determined on the basis of CAG or relevant statutory audited account submitted by the SEBs/Utilities as the case may be. All the qualifications in the audit report having bearing on reduction of expenses or inflating of income would be factored in to the figure while arriving at the total loss. Similarly any change in accounting policy which has the effect of decreasing the expenses or lengthening the time frame of

amoritisation and depreciation will also be factored into final figure while calculating the loss reduction. Finally the loss reduction will be calculated on total enterprise basis so that adoption of a particular level of transfer pricing is not allowed to hide the overall operational performance while evaluating segment result on a stand-alone basis. Once the overall level of loss reduction and consequent incentive eligibility is determined in the manner given above, the amount of incentive would be allocated to individual corporate/business units in the ratio of their contribution to the total loss reduction on the enterprise so that incentive could be made available by the States after its receipts for distribution among the different business units in recognition of their effort/ contribution to the financial improvement of the electricity business of the concerned State/UT. SEBs/ Utilities may forward their incentive claims as per the prescribed format given at Annexure.

The grant under incentive component shall be utilized in improvement of power sector only.

8. **Funding Mechanism under Incentive Component**

Funds under incentive component will be provided as 100% grant to all the States (special category and non-special category) as Additional Plan Assistance. Incentive will be calculated and used as explained above.

9. **Conditionalities**

Ministry of Power may impose conditionalities like enabling local institutions to manage distribution, third party sale, removal of cross subsidies, penal provision for thefts. setting standards and specification for equipment and technologies, evolving standard operating procedures for project formulation, execution, monitoring and evaluation, capacity building in States, etc.

10. **General terms and conditions for utilization of funds**

(i) The funds under APDRP will be provided to the State Government as additional Central Assistance over and above the normal Central Plan Allocation. These funds will be scheme specific and hence would be categorized "earmarked". Ministry of Power would work out a suitable mechanism with the State Governments, on a case-to-case basis, for release of funds to project authorities directly to facilitate early execution and completion of projects.

(ii) States receiving APDRP assistance will have to open a separate account/ sub-account head immediately, for separate accounting classification, both on the receipt and expenditure side for enabling proper audit certification. States which do not open a separate account for this purpose, will not be entitled to receive any fund under APDRP.

(iii) The State Government shall release the fund provided under APDRP to the State Power utility within a week of the said amount being credited to the State Government account and send confirmation to the Government of India; otherwise, it will be treated as diversion of funds.

(iv) The State Government shall release the fund to the State utility under the same terms & conditions as they receive from the Central Government.

(v) Funds provided to the States under APDRP cannot be diverted for any other scheme or purpose and if any State Government/State Power Utility diverts or is deemed to have diverted such funds for other purposes, the equivalent amount will be adjusted with 10% penal interest against the next instalment of Central Plan Assistance to be released to that State Government in that year or in the subsequent year.

(vi) The State Government/State Power Utilities would be required to submit monthly progress report in respect of progress of execution of project, fund utilization, etc.

(vii) Where the State Power utilities are seeking loans for the counterpart fund from PFC/REC, they shall send their proposals parallel to these bodies while submitting the projects to Ministry of Power for sanction projects. Projects without application for counter part funding shall not be sanctioned by Ministry of Power.

(viii) The loan component under the APDRP shall be subject to the Terms and Conditions laid down by the Ministry of Finance at the time of release.